

Conference on Trade Logistics Development in CAREC Region

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Uzbekistan Trade Logistics Study



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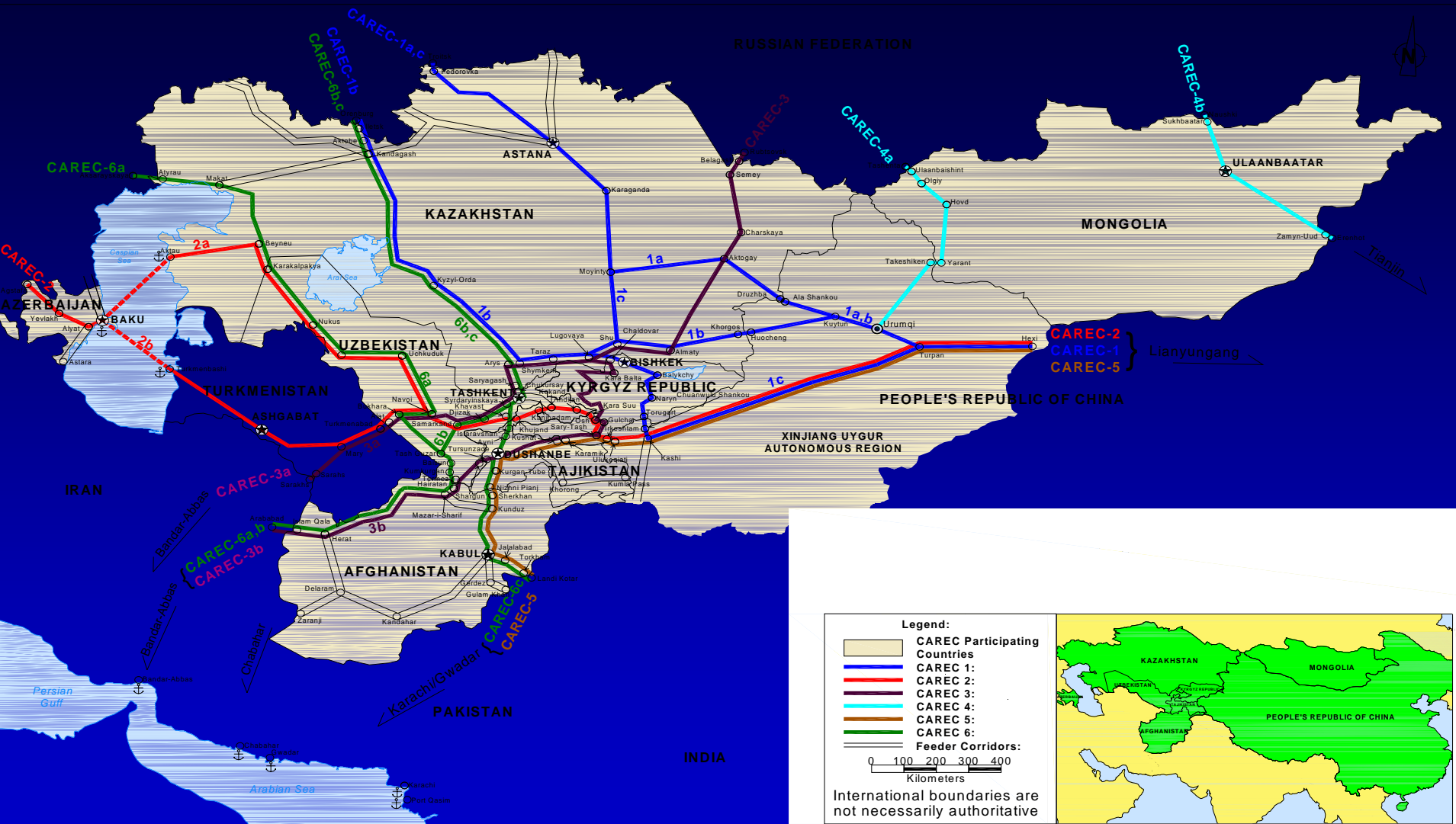


UZBEKISTAN

- Second most populous CAREC country (over 28 million people)
- Large 447,400 sq km country bordering KAZ, KGZ, TAJ, TKM and AFG
- Young and well educated citizens
- Excellent location on major trade routes
- Center of commerce for many centuries
- Impressive growth in recent years
- Stable government



SIX CAREC CORRIDORS



TRACECA corridor and half of the CAREC corridors pass through UZB

- TRACECA Corridor
- Corridor 2-a, 2-b(Mediterranean - East Asia)
- Corridor 3-a, 3-b (Russian Federation – Middle East and South Asia)
- Corridor 6-a, 6-b, 6-c (Europe – Middle East and South Asia)

CAREC ROAD CORRIDORS DENSITY

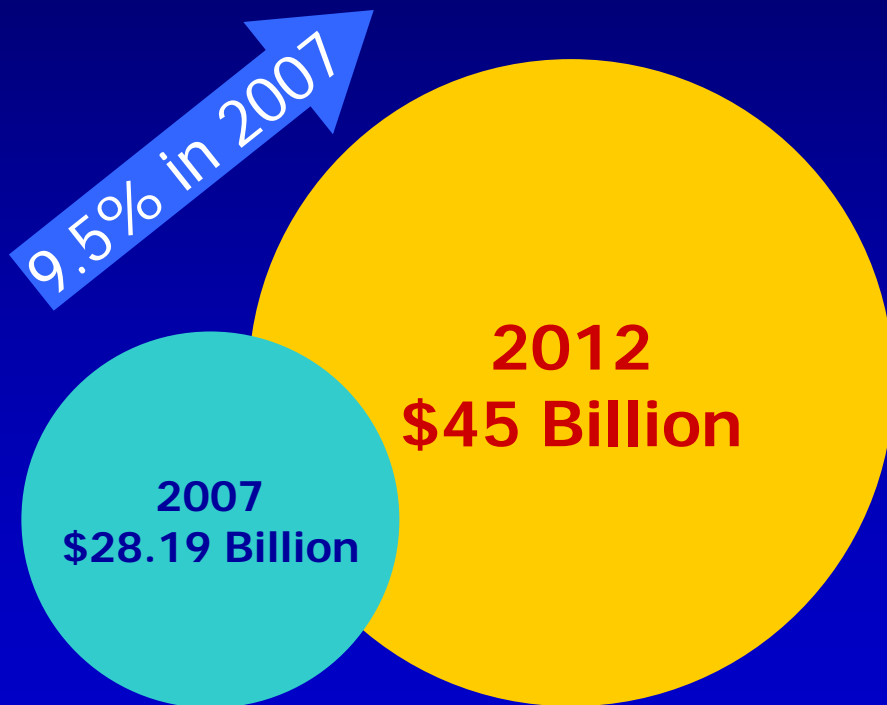


CAREC RAIL CORRIDORS DENSITY

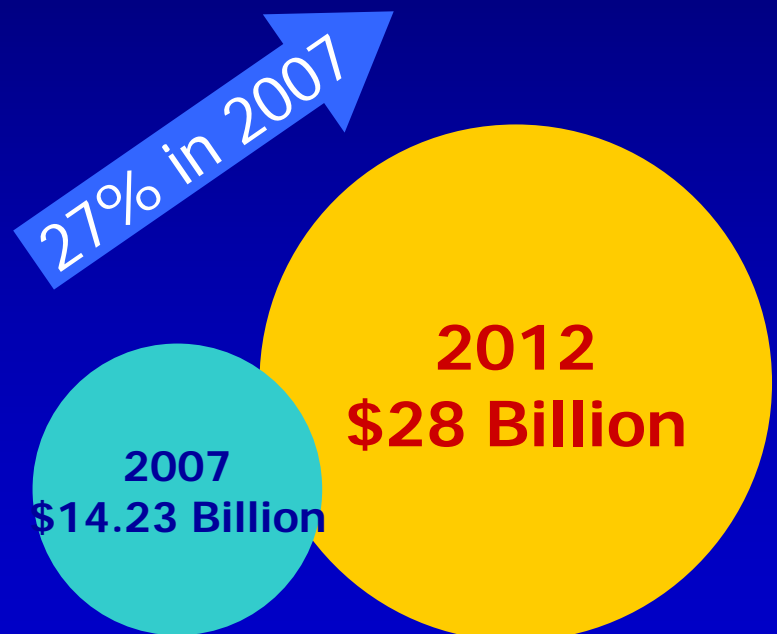


IMPRESSIVE GDP & TRADE GROWTH

Economy



Foreign Trade



Challenges for UZB

Country	Regional Program	Logistics Performance Index	
		Rank	Score
PRC	CAREC/GMS	30	3.32
THA	GMS	31	3.31
VIE	GMS	53	2.89
CAM	GMS	81	2.50
KGZ	CAREC	103	2.35
AZE	CAREC	111	2.29
LAO	GMS	117	2.25
UZB	CAREC	129	2.16
KAZ	CAREC	133	2.12
MON	CAREC	136	2.08
TAJ	CAREC	146	1.93
AFG	CAREC	150	1.21
MYN	GMS	NA	NA



1 = Lowest Performance 5 = Highest Performance (150 countries were surveyed.)

Uzbekistan Logistics Performance Index Scores

	Overall LPI	Customs	Infrastructure	International Shipments	Logistics Competence	Track & Trace	Domestic Logistics Cost	Timeliness
Rank	129	136	124	133	118	123	82	112
Score	2.16	1.94	2	2.07	2.15	2.08	2.91	2.73

Cost of export/import operations in 2006

(Source: World Bank "Doing business" database)

	Export			Import		
	No. of docs	Time (in days)	Cost (\$/cont)	No. of docs	Time (in days)	Cost (\$/cont)
Afghanistan	7	66	2500	11	88	2100
Azerbaijan	7	69	2275	18	79	2575
Kazakhstan	14	93	2780	18	87	2880
Kyrgyzstan	18	127	3032
Tajikistan	14	72	4300	10	44	3550
Uzbekistan	10	44	2550	18	139	3970
EU-25 average	5	12	940	7	15	999
United States	6	9	625	5	9	625
Singapore	5	6	382	6	3	333
World average	7	28	1192	10	34	1408

Infrastructure Challenges

Institutional Challenges

Capacity Development Challenges

Competing Routes Challenges



Infrastructure Challenges

- Rail rolling stock old and obsolete
- Lack of multimodal terminals and equipments
- Substantial sections of highway are crumbling

OLD RAIL WAGONS



RAIL WHEELS IN BAD CONDITION



Old Soviet Cranes at Chukusay Terminal



Shoshtrans Terminal is too tight for efficient operations



UZBEK HIGHWAY TO FERGANA VALLEY



ROAD TO AKALTIN COTTON TERMINAL



SOME HIGHWAY SECTIONS ARE IN POOR CONDITION



Institutional Challenges

- Complexity of customs law & regulations
- Challenges in dealing with customs
- Unscheduled border closure
- Foreign exchange controls

Capacity Development Challenges

- **Insufficient logistics & supply chain management professionals**
- **Lack of university or professional training courses**
- **Absence of certification program**

Competing Routes Challenges

- **Trans Siberian** (Vostochny)
- **Trans Manchurian** (Manzhouli)
- **Trans Mongolian** (Zamyn Uud)
- **Trans Kazakhstan** (Alashankou + Horgas)
- **Emerging routes** (via India, Iran, Turkey)

Opportunities

- **Aviation** (No nation is landlocked in aviation)
- **Aerospace**
- **Pilot training**
- **Locomotive & rolling stock manufacturing and repair**
- **Multimodal logistics**
- **Agriculture**

Aviation

- Tashkent Airport is well situated to serve its neighbors
- Tashkent is on intercontinental flight paths
- Uzbekistan Airways is a strong carrier
- Well trained support personnel

Aerospace

- **Tapoich**
- **Knowledge and skills base**
- **Established customer relations from past sales**
- **Expanding market**

Pilot training

- Aviation sector is expanding worldwide
- China, Middle East need many new pilots
- Tashkent is a low cost convenient location for pilot training
- Partnership with China in acquiring flight simulator

Locomotive & rolling stock manufacturing and repair

- Aside from Russia & Ukraine, Uzbekistan is the only CIS country with manufacturing & repair capability
- Large home market & regional market demand (e.g. AZE)
- Skillful workers

Multimodal Logistics

- ➔ Centralized Location, gateway to AFG, KGZ, TAJ, TKM, W. KAZ
- ➔ Strong air sector
- ➔ Improving rail and road sector
- ➔ Most efficient link between China & Central Asia if China-Kyrgyzstan-Uzbekistan Railway is constructed as a standard gauge railroad



Agriculture

- Second largest cotton exporter
- Fertile soil (Fergana Valley)
- Adequate water supply
- Abundant labor pool
- Excellent quality fruit and vegetables
- Very good reputation in major markets

Key Recommendations

- **Adopt comprehensive transport infrastructure planning**
- **Develop special economic zones, multimodal facilities, logistics centers**
- **Simplify customs laws and regulations. Improve transparency of rules and regulations. Promote harmonization of border procedures. Reduce regulatory burden on trade.**
- **Develop industries that will sustain Uzbekistan's economy for future years (trade, logistics, aviation and agriculture)**
- **Encourage private sector participation, especially SME**
- **Secure foreign investments with technology transfers**
- **Compile logistics performance indicators to assess the success of government policies, laws and regulations**
- **Build a standard gauge CKUR**

China Kyrgyzstan Uzbekistan Railway

- ☑ Public sector BOT financed by China
- ☑ China Railway will operate CKUR for a fixed concessionary period, then transfer to KGZ, UZB
- ☑ Standard gauge track between Kashi and Kara Suu/Osh
 - Eliminate gauge change delays
 - Broader parts & equipment supplier base lowers costs
 - Major step towards a 100% standard gauge railroad linking Asia and Europe
 - Most efficient link between China & Central Asia

Reasons for China Railway BOT Recommendation

- ☑ China Railway has enormous marketing power to build up traffic on CKUR
- ☑ Many examples of successful concession arrangements benefiting public and private sectors
 - Kansas City Southern and Union Pacific with Mexican government
 - Genesee & Wyoming with the government of Bolivia
 - The Macquarie Group with State of Indiana and City of Chicago

Rationale for Standard Gauge Recommendation

- ☑ Eliminate cargo transfer cost and delay due to gauge change. Fastest route into heart of Central Asia.
- ☑ Terrain of KGZ/PRC border at Torugart not conducive to operating an interchange yard
- ☑ Once standard gauge line reach the foothills inside KGZ, it might as well be extended for a short distance to Kara Suu
- ☑ Position Kara Suu as key multimodal hub, Osh and Andijan as major trade logistics center